

# Department of Revenue

## Overview

**Joint Appropriations Committee on General Government**

**March 23, 2017**



**FISCAL RESEARCH DIVISION**  
A Staff Agency of the North Carolina General Assembly

# Outline

- Authorizing laws
- Mission/Vision
- Roles and Responsibilities
- Organizational Chart
- Budget History and Overview
- Major Budget Items
- Base Budget 2017-19
- Agency Request for Information

# Authorizing Laws

- G.S. 143B-217 through 143B-245
  - Powers and duties of the Department
    - Duty to collect and account for the State's tax funds, to insure uniformity of administration of the tax laws and regulations, to conduct research on revenue matters, and to exercise general and specific supervision over the valuation and taxation of property throughout the State
    - Authority over functions in relation to revenue collection, tax research, tax settlement, and property tax supervision
- G.S. 105
  - Taxation
    - Provides authority to raise and provide revenue for the necessary uses and purposes of the government and State of North Carolina

# Mission Statement

- Administer the tax laws and collect the taxes due to the state in an impartial, uniform, and efficient manner.
- Tenets:
  - Easy to do business with
  - Compassionate when called for
  - Firm but fair

# Vision Statement

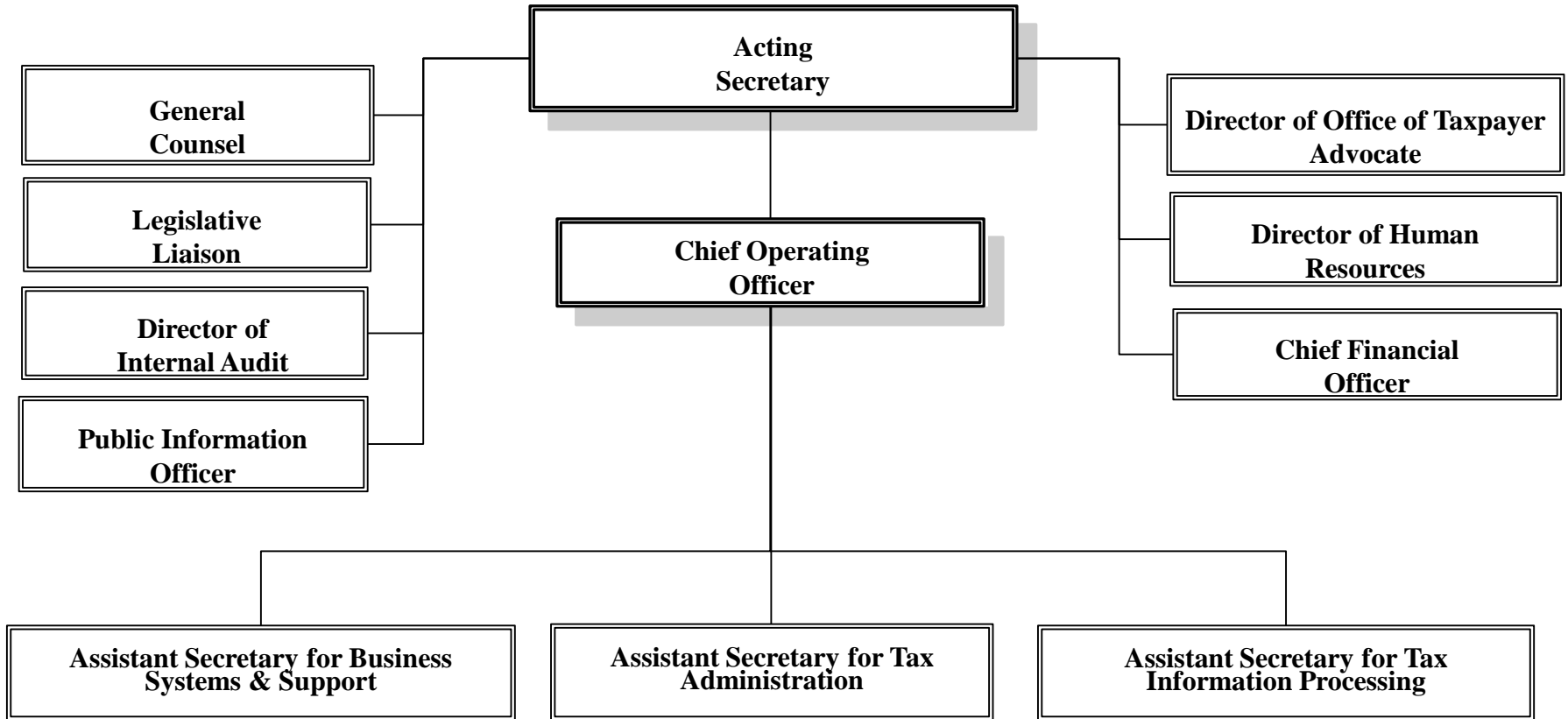
We are better today than yesterday as we:

- Set and achieve standards of excellence in service, effectiveness and efficiency
- Build collaborative relationships internally and externally to ensure the best outcomes for the citizens of North Carolina
- Earn consistent respect by being open, honest and willing to dialogue
- Make a difference every day

# Roles and Responsibilities

- Administer the tax laws and collect the taxes due the State in an impartial, consistent and efficient manner
- Process and post tax payments
- Identify and assess non-compliance and underreporting
- Interpret the tax code
- Assist local governments in administering their tax schedules
- Handle appeals of tax liabilities
- Educate taxpayers on their obligations

# Organizational Chart



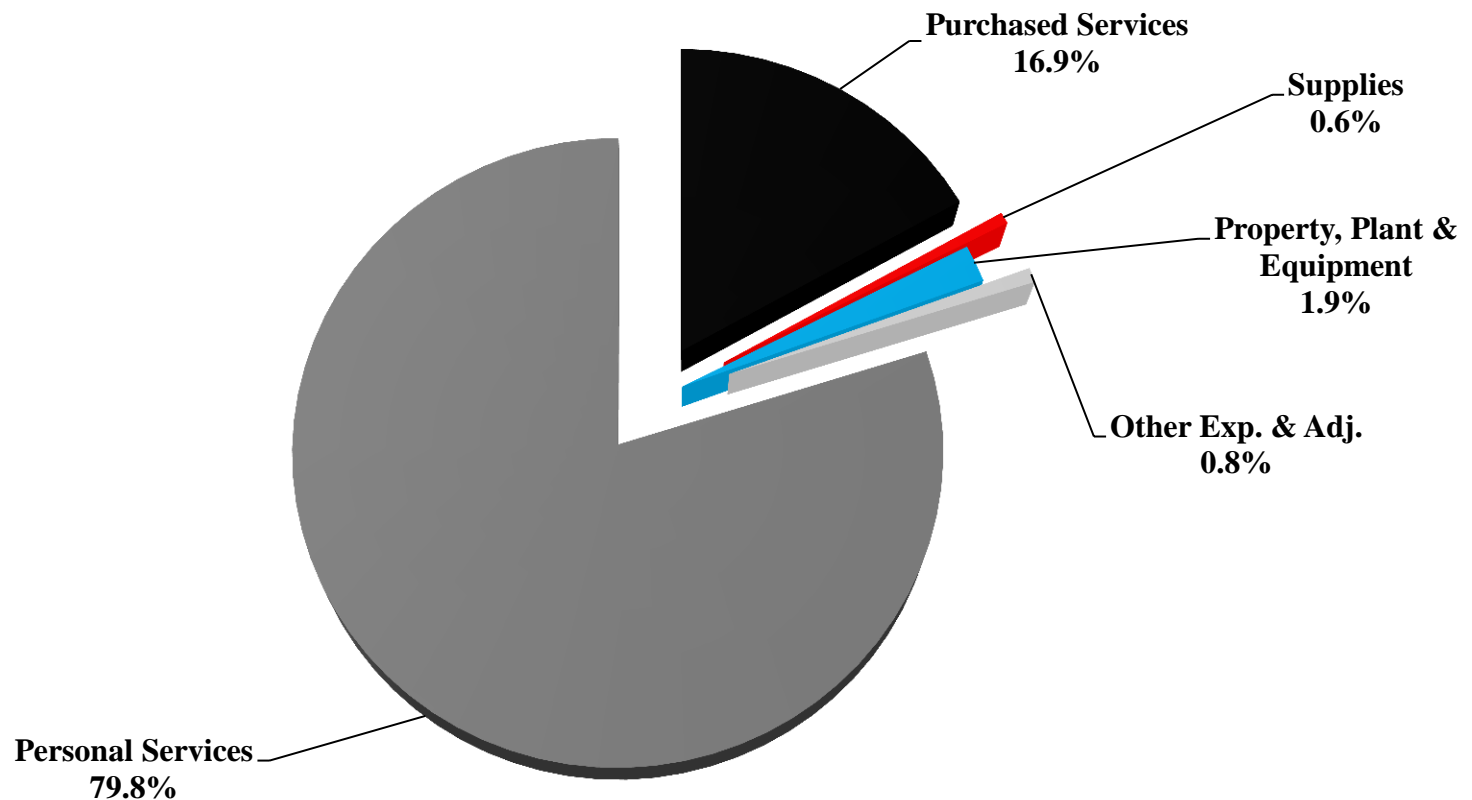
# Department of Revenue

## Budget Overview

<b>Budget</b>	<b>Actual FY 2015-16</b>	<b>Authorized FY 2016-17</b>	<b>Total Base FY 2017-18</b>	<b>Total Base FY 2018-19</b>
Requirements	\$127,052,402	\$141,106,534	\$138,664,960	\$138,664,960
Receipts	\$47,289,618	\$57,902,162	\$55,458,890	\$55,458,890
Appropriation	\$79,762,784	\$83,204,372	\$83,206,070	\$83,206,070
<b>Certified FTEs</b>	<b>1,475.25</b>	<b>1,470.92</b>	<b>1,470.92</b>	<b>1,470.92</b>



# Department of Revenue Breakdown of Base Expenditures, FY 2017-18



# Expenditures and Receipts by Fund

## Base Budget, FY 2017-18

Code	Fund Description	Expenditures	Receipts	FTEs
1600	Administration	\$3,348,313	\$0	24.65
1601	Enterprise Project Management Office	\$780,128	\$0	8.00
1603	Human Resources	\$1,775,598	\$0	22.00
1605	Information Technology	\$16,876,783	\$413,232	100.50
1607	Revenue Research	\$447,299	\$0	7.00
1609	Criminal Investigations	\$887,087	\$0	7.31
1624	Income Tax	\$2,306,019	\$0	19.94
1625	Excise Tax	\$207,200	\$0	1.84
1627	Sales and Use Taxes	\$1,442,510	\$0	13.39
1629	Local Government Division	\$5,156,563	\$5,156,563	32.00
1643	Taxpayer Assistance	\$9,410,439	\$304,125	139.59
1660	Collection	230,832	\$0	2.00
1661	Project Collect Tax	\$27,588,723	\$27,588,723	336.85
1662	Taxpayer Call Center	\$10,353,222	\$10,353,222	137.00

<b>Code</b>	<b>Fund Description</b>	<b>Expenditures</b>	<b>Receipts</b>	<b>FTEs</b>
1663	Examination	\$25,755,979	\$0	279.03
1670	Unauthorized Substance Tax	\$1,630,339	\$0	19.62
1681	Business Operations	\$7,616,874	\$458,373	22.00
1683	Financial Services	\$872,912	\$0	11.00
1685	Documents and Payment Processing	\$12,015,215	\$1,221,727	197.84
1700	Motor Fuels	\$5,090,340	\$5,090,340	46.06
1708	International License Registration	\$233,055	\$233,055	2.46
1710	Fuel Tax Compliance	\$1,616,169	\$1,616,169	13.12
1711	Federal Grant-Joint Operations Center	\$590,791	\$590,791	1.72
1800	White Goods Disposal Tax	\$425,000	\$425,000	5.83
1820	Scrap Tire Disposal Tax	\$425,000	\$425,000	5.83
1830	Public Transit Tax	\$732,570	\$732,570	7.51
1840	Dry Cleaning Solvent Tax	\$125,000	\$125,000	0
1870	Solid Waste Disposal Tax	\$225,000	\$225,000	1.00
1880	911 – Service Charge	500,000	500,000	5.83
	<b>Total</b>	<b>\$138,664,960</b>	<b>\$55,458,890</b>	<b>1,470.92</b>
	<b>Net Appropriation</b>	<b>\$83,206,070</b>		

# Major Budget Items

<b>Description</b>	<b>Expenditures</b>	<b>% of Total Expenditures</b>
Project Collect Tax	\$27,588,723	19.9%
Examination	\$25,755,979	18.6%
Information Technology	\$16,876,783	12.2%
Documents/Payments Processing	\$12,015,215	8.7%
Taxpayer Call Center	\$10,353,222	7.5%
Taxpayer Assistance	\$9,410,439	6.8%
<b>Total – Major Budget Items</b>	<b>\$102,000,361</b>	<b>73.7%</b>
<b>All Other Divisions</b>	<b>\$36,664,599</b>	<b>26.3%</b>

# Department of Revenue

## Collection Assistance Fee

- G.S. 105-243.1
  - Requires the Department to assess a 20% fee against a final bill that is at least 90 days past due
  - Designed to pass some of the costs of collecting overdue taxes to those who become delinquent rather than using General Fund monies
- Currently supports the 473.85 positions in Project Collect Tax and the Taxpayer Call Center
- FY 2015-16 Receipts
  - \$37,042,782
- Fund Balance as of 12/31/16
  - \$58,694,133

# Department of Revenue Examination

- Administer tax laws and determine taxes due to the State
- Identify non-compliance with state tax laws
- Audit the books and records of individuals and businesses not in compliance
- Assess and collect unpaid revenue owed to the State
- Major Current Initiatives
  - Cash intensive business audits
  - Fortune 500 audits
  - Refund Fraud/Identity Theft program

# Department of Revenue Information Technology

- Handle daily technical operations including business systems analysis, application development and procurement, maintenance, database administration, server/network support, and system software support
- Supports Tax Systems
- Manage security systems
  - Firewalls, intrusion detection systems, and system vulnerability assessment software
- Ensure that all hardware, software, and networks meet security standards

# Department of Revenue

## Documents & Payment Processing

- Ensure/manage the daily receipt of incoming taxpayer electronic and paper payments
- Assure electronically filed returns can be successfully loaded into the MeF system and exported into ITAS
- Correct suspended items (returns and/or payments with errors) and post to ITAS and ETM



# Department of Revenue Taxpayer Assistance and Taxpayer Call Center

- Customer Service and Education
  - Responds to taxpayer questions
  - Staffed in Raleigh headquarters, 12 service centers and two call centers throughout the State
  - Provides three levels of customer service and education
- Customer Education Unit
  - Develops and delivers external seminars to help educate taxpayers; tax law application and policy training for DOR employees; e-modules for the department website; and customer service training
- Quality Assurance Team
  - Evaluates and assesses knowledge of service center and call center customer service staff

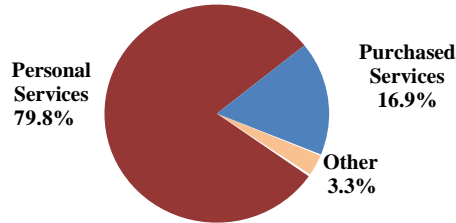
# Recent Legislative Actions

2016 Action		FY 2016-17
Business Functions Optimization		\$348,000 NR
Tax Fraud Analysis – Project Collect Tax		\$2,000,000 NR
Implementation of New Tax Types – Project Collect Tax		\$582,800 NR
Operations and Maintenance for Tax Systems – ITAS Replacement		\$12,000,000 NR
2015 Action	FY 2015-16	FY 2016-17
Operating Budget Reduction (Property, Plant and Equipment)	(\$400,000) R	(\$400,000) R
Increased Funding for Leases	\$414,031 R	\$441,115 R
Additional Excise Tax Auditor position (for FY 2016-17)		\$104,698 R
Reduce Funds for Postage, Freight, and Delivery	(\$500,000) R	(\$500,000) R
Common Payment System Change to Paypoint Online Payment System	\$211,000 R	\$211,000 R
Transfer Vacant Position from DOR to Dept. of Military and Veterans Affairs	(\$76,107) R	(\$76,107) R
Increased Salaries for Auditors – Project Collect Tax	\$5,884,865 R	\$5,884,865 R
Tax Fraud Analysis Contract – Project Collect Tax	\$2,000,000 NR	
Field Office Lease Increases – Project Collect Tax	\$99,083 NR	\$107,722 R
E-Services Upgrades – Project Collect Tax	\$10,000,000 NR	\$2,000,000 R
Fund Maintenance Costs for ITAS and TIMS – ITAS Replacement	\$6,752,618 NR	
Corporate Electronic Filing Tax System – ITAS Replacement	\$4,062,322 NR	

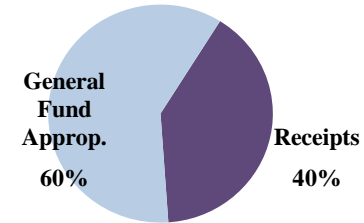
# DEPARTMENT OF REVENUE

## Base Budget Review

**FY 2017-19 Base - Expenditures**



**FY 2017-19 Base - Source of Funds**



Requirements	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Personal Services	\$92,753,848	\$109,859,401	\$110,037,152	\$652,073	\$110,689,225	\$652,073	\$110,689,225
Purchased Services	\$27,110,554	\$24,759,886	\$26,085,000	(\$2,672,831)	\$23,412,169	(\$2,672,831)	\$23,412,169
Supplies	\$833,272	\$815,860	\$787,710	\$52,210	\$839,920	\$52,210	\$839,920
Property, Plant, Equipment	\$2,561,651	\$3,307,313	\$2,628,861	\$32,793	\$2,661,654	\$32,793	\$2,661,654
Other Expenses/Adjustments	\$994,592	\$1,203,678	\$1,043,399	\$18,593	\$1,061,992	\$18,593	\$1,061,992
Reserves	\$0	\$524,412	\$524,412	(\$524,412)	\$0	(\$524,412)	\$0
Intragovernmental Transfers	\$2,798,485	\$47,600	\$0	\$0	\$0	\$0	\$0
<b>TOTAL REQUIREMENTS</b>	<b>\$127,052,402</b>	<b>\$140,518,150</b>	<b>\$141,106,534</b>	<b>(\$2,441,574)</b>	<b>\$138,664,960</b>	<b>(\$2,441,574)</b>	<b>\$138,664,960</b>
Receipts	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Grants	\$97,244	\$590,791	\$590,791	\$0	\$590,791	\$0	\$590,791
Sales, Services, Rental	\$381,672	\$501,435	\$501,435	\$0	\$501,435	\$0	\$501,435
Miscellaneous	\$656	\$750	\$750	\$0	\$750	\$0	\$750
Intragovernmental Transfers	\$46,810,046	\$56,220,802	\$56,809,186	(\$2,443,272)	\$54,365,914	(\$2,443,272)	\$54,365,914
<b>TOTAL RECEIPTS</b>	<b>\$47,289,618</b>	<b>\$57,313,778</b>	<b>\$57,902,162</b>	<b>(\$2,443,272)</b>	<b>\$55,458,890</b>	<b>(\$2,443,272)</b>	<b>\$55,458,890</b>
<b>NET APPROPRIATION</b>	<b>\$79,762,784</b>	<b>\$83,204,372</b>	<b>\$83,204,372</b>	<b>\$1,698</b>	<b>\$83,206,070</b>	<b>\$1,698</b>	<b>\$83,206,070</b>
<b>FTE</b>	<b>1,475.25</b>	<b>1,465.25</b>	<b>1,470.92</b>	<b>0.00</b>	<b>1,470.92</b>	<b>0.00</b>	<b>1,470.92</b>

# Information Requested from the Department of Revenue

- How do you measure your agency's effectiveness and outcomes?
- How do you measure efficiency within your agency/department? Do you have metrics that you use to monitor agency performance? If so, please provide.
- Are you planning any changes to the current structure of your organization? Will this impact your agency's budget?
- What are your overall goals for your department/agency over the next biennium?
- What are your budget requests/needs for the biennium?
- Please discuss new initiatives.

# Department of Revenue



Chris Hearley

Fiscal Research

919-733-4910 or [chris.hearley@ncleg.net](mailto:chris.hearley@ncleg.net)